D.P.U. 96-1A

Application of Boston Edison Company:

(1) under the provisions of G.L. c. 164, §94G and the Company's tariff, M.D.P.U. 592-A, for quarterly review by the Department of Public Utilities of the annual fuel and purchased power adjustment charge and the New Performance Adjustment Charge to be billed to the Company's customers pursuant to meter readings in the billing months of February, March, and April 1996; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. § 8.00 and M.D.P.U. 545-A. The rules established in 220 C.M.R. § 8.00 set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of
1978.

(3) under the provisions of G.L. c. 164, § 94G, for review by the Department of the performance of the Company's generating units for the period of November 1, 1994 through October 31, 1995.

APPEARANCES: John M. Fulton, Esq.
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FOR: BOSTON EDISON COMPANY
<u>Applicant</u>

I. INTRODUCTION

On January 9, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Boston Edison Company ("BECo" or the "Company") applied to the Department of Public Utilities ("Department") for quarterly review of its fuel charge[1] in conformance with its tariff, M.D.P.U. 592-A, and for approval of a quarterly change of its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 545-A. The Company requested that the change be effective for bills issued pursuant to meter readings in the billing months of February, March, and April 1996. The matter was docketed as D.P.U. 96-1A.

Pursuant to notice duly issued, a public hearing on the Company's application was held on January 25, 1996, at the Department's offices in Boston. Notice of the hearing was published in the Boston Herald and The Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings.

In support of its filing, the Company sponsored one witness: Anne M. Lynch, senior research analyst in the fuel and power contracts department. The evidentiary record includes eight Company exhibits.

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1 On November 3, 1995, the Department approved an annual fuel charge proposed by the Company. Boston Edison Company, D.P.U. 95-1D at 17 (1995). Among other things, the annual fuel charge permits the Company to levelize the fuel charge, including the fuel cost component and the new performance adjustment charge, at $0.03505 per month for the period November 1995 through October 1996. Id. The Company will apply interest to the difference between the cumulative over/under recovery amount under the annual fuel charge and the over/under recovery amount that would normally occur if a quarterly fuel charge were in effect. Id. at 16.

BECo is a public utility engaged principally in the generation, purchase, transmission, distribution, and sale of electricity. The Company supplies retail electric service to an area of approximately 590 square miles encompassing the City of Boston and 39 surrounding cities and towns. BECo serves about 570,000 residential customers, 91,000 commercial customers, and 1,600 industrial customers. BECo also supplies wholesale electricity to other utilities and municipal electric departments.

The Company's last base rate increase occurred in October of 1992 as a result of the Department's approval of a settlement agreement ("1992 Settlement") in Boston Edison Company, D.P.U. 92-92 (1992). The Company's previous base rate increase before D.P.U. 92-92 occurred in October 1989 as a result of the Department's approval of a settlement agreement ("1989 Settlement") in Boston Edison Company, D.P.U. 88-28/88-48/89-100 (1989).

II. FUEL CHARGE

On January 22, 1996, the Company filed with the Department its calculations of its fuel charge and proposed changes to its QF power purchase rates for the billing months of February, March, and April 1996. The Company's fuel charge is composed of a fuel cost component and a New Performance Adjustment Charge ("NPAC") levied in accordance with the 1989 Settlement. The fuel charge also includes a reconciliation of the Fossil Generation Performance Adjustment Charge ("FGPAC"), which, in accordance with the 1992 Settlement, was in effect for the three-year period ending October 31, 1995.

A. FUEL COST COMPONENT

For the billing months of February, March, and April 1996, the Company proposes no change to the fuel cost component of $0.02935 per kilowatt hour ("KWH") pursuant to the annual fuel charge approved in Boston Edison Company, D.P.U. 95-1D (1995) ("D.P.U. 95-1D") (Exh. BE-2, at 1). The Company projects that it will under-recover approximately $15.6 million as of October 31, 1996 (Exh. BE-1, at 4). That is, for the period February 1, 1996 through October 31, 1996, the Company has projected a net increase of about $15.6 million in its fuel adjustment clause expenses as compared to the fuel charge expenses projected in D.P.U. 95-1D, when the annual fuel charge was initially approved (Tr. at 8-9). The Company stated that this under-recovery or net increase in the proposed fuel adjustment clause expenses was the result of (1) higher than forecast unit fuel prices; and (2) higher than forecast capacity charge expenses for short term purchases (id.). In D.P.U. 95-1D at 17, the Department accepted the Company's proposal to establish a $20 million threshold which would cause an interim fuel charge adjustment. Since the Company projects an $15.6 million under-recovery, the Company does not propose any change in the fuel cost component of the annual fuel charge (Exh. BE-1, at 4).

In D.P.U. 95-1D, the Company proposed that interest be calculated on the cumulative over/under-recovery position above what would normally occur if a quarterly fuel charge was in effect. This interest will be returned to or recovered from customers and will be reflected in the Company's October 1996 filing, following the end of the annual fuel charge term. Since the Company projects that it will be in a cumulative under-collection position on October 31, 1996, the end of the annual fuel charge, the Company calculated the interest to be approximately $549,000 (Exh. BE-2, at 152).

B. NEW PERFORMANCE ADJUSTMENT CHARGE

In accordance with the terms of the 1989 Settlement, a Performance Adjustment Charge ("PAC") went into effect for the three-year period beginning November 1, 1989. See BECo Tariff M.D.P.U. 783. The 1989 Settlement further provided that beginning November 1, 1992, an NPAC would take the place of the PAC (1989 Settlement at 8). See BECo Tariff M.D.P.U. 784. The NPAC will remain in effect until October 31, 2000 (1989 Settlement at 11).

As defined in the 1989 Settlement, the NPAC is calculated as:

NPAC = [(POUT x PRAT) + SALP + PIA]/KWH, where

POUT = one-third of the Company's retail share of the KWHs of net power generated at Pilgrim during the performance year[2] during which the NPAC will be in effect;

PRAT = the Pilgrim Cent-Per-KWH Rate established under the 1989 Settlement;

SALP = a Systematic Assessment of Licensee Performance Adjustment;

PIA = a Performance Indicator Adjustment; and

KWH = the estimated number of KWHs to be sold by BECo under rates subject to the Department's jurisdiction during the applicable performance year (1989 Settlement at 9-11).

The product of the POUT multiplied by the PRAT, referred to by the Company as the CFA, for the twelve-month period from November 1, 1995 to October 31, 1996 is $69,812,894 (Exh. BE-4, at 3). The CFA is based on a forecasted 90.9 percent Pilgrim annual capacity factor for the 1995-1996 performance year (id.).

The SALP Adjustment is based on Pilgrim's average SALP score issued by the U.S. Nuclear Regulatory Commission ("NRC") (1989 Settlement at 9). The NRC issued its most

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2 The term "performance year" shall refer to any of the eleven consecutive twelve-month periods beginning November 1, 1989 (1989 Settlement at 9-11).

recent SALP evaluation on November 16, 1994. The average SALP score for Pilgrim in this report was 1.25 (Exh. BE-4, at 3). The 1989 Settlement provides that for each one tenth of a point that the SALP score improves upon (i.e., is lower than) 1.6, $500,000 will be added to the NPAC costs to be recovered over the remainder of the performance year (1989 Settlement at 9-11); thus, an increase of $50,000 will be made for each hundredth of a point by which the SALP score is less than 1.6. Since the Company's score is 1.25, thirty-five hundredths of a point less than 1.6, the Company has included a positive adjustment of $1,750,000 ($50,000 x 35) in the calculation of the NPAC (Exh. BE-4, at 4).

The PIA contains five individual measures reflecting performance at Pilgrim: (a) Automatic Scrams While Critical; (b) Safety System Failures; (c) Safety System Actuations; (d) Collective Radiation Exposure; and (e) Maintenance Backlog Greater Than Three Months Old (1989 Settlement at 9-11). The PIA is based on Pilgrim's performance relative to the industry. For the purposes of calculating the performance adjustment charge, the Company estimated that Pilgrim's performance on the five indicators will fall within the neutral zone (Exh. 4, at 4-5). Accordingly, the Company forecasts the PIAs for these indicators in the current period to be zero (id.).

According to the terms of the 1989 Settlement, the PAC and the NPAC may be calculated using estimates of these performance factors (1989 Settlement at 7, 11). The 1989 Settlement also provides that the Company shall reconcile any estimates used in calculating a quarterly PAC or NPAC when final information concerning the performance factor values becomes available (id.). The NPAC may change on a quarterly basis because the Company's forecast of retail KWH sales has changed or because the Company has under- or over-recovered revenues from the previous quarter. The Performance Adjustment Charge and each of its components are subject to reconciliation at the conclusion of each twelve-month period.

However, in D.P.U. 95-1D at 15, the Department approved a proposal to offset any NPAC increase against any projected over-recovery position, which established an annualized NPAC. In D.P.U. 95-1D, the Department approved an NPAC of $0.00570 for the period November 1995 through October 1996. Accordingly, the Company proposes no change to the NPAC for February, March, and April 1996 (Exh. BE-1, at 7).

The Company, nonetheless, provided a calculation of what the NPAC would have been for the current quarter had the NPAC not been levelized (Exh. BE-3). The Company stated that the NPAC would have been $0.00575, an increase of $0.00075 per KWH from the NPAC currently in effect (Exh. BE-1, at 8). The Company stated that the proposed increase is attributed to (1) higher than forecasted actual capacity factors for the Pilgrim unit in the months of November and December; and (2) actual revenues in the months of November and December were lower than forecasted (Exh. BE-8). The Company used the difference in the revenue between the two factors as an offset in the fuel adjustment charge (Exh. BE-4, at 1-2).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are filed at the time of the fuel adjustment charge filing. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in

220 C.M.R. § 8.02.

Pursuant to 220 C.M.R. § 8.04, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak.
In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighing is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

In Exhibit BE-5, the Company has proposed the following standard rates to be paid to QFs during February, March, and April 1996:

Energy Rates By Voltage Level (Dollars/KWH)

Voltage Level	Peak	Off-Peak	Total
115 KV	0.02446	0.01937	0.02126
14 KV	0.02489	0.01966	0.02160
4 KV	0.02504	0.01977	0.02172
Secondary	0.02555	0.02013	0.02213

Short-Run Capacity Rates (Dollars/KWH)

Voltage Level	Short-Run Capacity Rate
115 KV	0.02914
14 KV	0.02996
4 KV	0.03040
Secondary	0.03137

IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of February 1996 through October 1996 shall be $0.03505 per KWH, subject to refund and to quarterly review. The fuel charge shall be comprised of a fuel cost component calculated as shown in Table 1 attached to this Order, and a New Performance Adjustment Charge calculated as shown in Table 2 attached to this Order; and

2. that the QF power purchase rates for February, March, and April 1996 shall be the rates set forth in Section III of this Order.

V. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That Boston Edison Company is authorized to put into effect a fuel charge of $0.03505 per kilowatthour as set forth in Section IV, Finding 1, of this Order for bills issued pursuant to meter readings in the billing months February, March, and April 1996, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of February, March, and April 1996 shall be those stated in Section III and found to be proper in Section IV of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings, if any, that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings, if any, with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G(a) and (b), the fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the period applicable to the present charge; and it is

FURTHER ORDERED: That the fuel charge shall appear as a separate item on all customers' electric bills and shall be referenced with a footnote that will identify each customer's fuel cost component and will explain that the fuel charge also includes the New Performance Adjustment Charge.

By Order of the Department,

John B. Howe
Chairman

Mary Clark Webster
Commissioner

Janet Gail Besser
Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).